

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SAM-01 PA-01 PRS-01 ERDA-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FEAE-00

FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01

PM-04 USIA-06 OES-06 SP-02 SS-15 STR-04 TRSE-00

ACDA-07 /103 W

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R 301436Z AUG 76

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 8375

INFO USMISSION EC BRUSSELS

AMEMBASSY LONDON

AMEMBASSY MADRID

USMISSION NATO

AMCONSUL OPORTO

AMEMBASSY PARIS

USMISSION OECD PARIS

AMCONSUL PONTA DELGADA

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E.O. 11652: N/A

TAGS: ECON, ENRG, PO

SUBJECT: INCREASED OPTIMISM ABOUT ELECTRICAL SUPPLY

REF: LISBON 5175 AND PREVIOUS

SUMMARY: BECAUSE OF ADDED GENERATING CAPACITY, COMPLETION OF INTER-TIE LINE, AND AGREEMENT FOR CONTINUED EXTERNAL SUPPLIES, GOP ANNOUNCED THAT, CONTRARY TO EXPECTATIONS, ELECTRIC POWER INTERRUPTIONS WOULD NOT BE RESUMED. END SUMMARY.

1. AS REPORTED IN REFTTEL, GOP HAD IMPOSED DAILY PROGRAMMED ELECTRICITY INTERRUPTIONS IN JULY. THESE WERE SUSPENDED

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DURING AUGUST VACATION PERIOD WITH EXPECTATION THAT CUTS WOULD

BE RESUMED IN SEPTEMBER. HOWEVER, MINISTRY OF INDUSTRY NOTE PUBLISHED IN AUGUST 25 PRESS ANNOUNCED THAT GOP DOES NOT PLAN TO RESUME PROGRAMMED CUTS. DURING CONCURRENT VISIT TO CARREGADO STEAM PLANT, INDUSTRY MINISTER WALTER ROSA SAID THERE WOULD BE NO CUTS THROUGH END OF YEAR UNLESS THERE ARE UNEXPECTED PROBLEMS.

2. DECISION NOT TO RESUME POWER CUTS WAS BASED ON IMPROVED ELECTRICITY SUPPLY SITUATION. SPECIFICALLY:

- SIXTH 125 MW GENERATOR AT CARREGADO THERMAL PLANT WENT ON LINE THIS MONTH, AND PLANT OPERATING SATISFACTORILY;
- 50 MW GROUP AT TAPADA DO OUTEIRO THERMAL PLANT WILL BE BACK IN OPERATION (AFTER ROTOR REPAIR) BY MID-SEPTEMBER;
- FOUR GAS TURBINES TOTALLING 92 MW WILL GO INTO SERVICE THIS FALL;
- NEW 220 MV INTER-TIE LINE WITH EUROPEAN GRID WILL GO INTO SERVICE BY END OF AUGUST;
- FIRST GROUP OF VALEIRA HYDROELECTRIC STATION BEGINS TESTS IN EARLY SEPTEMBER; AND
- BILATERAL AGREEMENT WITH FRANCE FOR CONTINUED SUPPLY OF ELECTRICITY WAS REACHED LAST WEEK.

3. OPTIMISM ABOUT ELECTRICITY SUPPLY WAS TEMPERED BY REMINDER THAT SUPPLY SITUATION STILL PRECARIOUS AND APPEAL TO REDUCE CONSUMPTION TO MINIMUM. MINISTRY IS PREPARING FURTHER PUBLICITY CAMPAIGN AIMED AT ENERGY CONSERVATION, WHICH GOP CLAIMS HAS BEEN FAIRLY SUCCESSFUL.

4. ACCORDING TO RECENT REPORTS, JULY ELECTRICITY CONSUMPTION WAS ONLY 57 PERCENT OF 113 MILLION KWH EXPECTED. AS EXPECTED, AUGUST CONSUMPTION ALSO LOW, ALTHOUGH NO FIGURES AVAILABLE. LOW JULY CONSUMPTION ENABLED MINIMUM UTILIZATION OF HYDROELECTRIC RESERVES, WHICH NEVERTHELESS HAD FALLEN TO ABOUT 32 PERCENT BY LATE JULY. WHILE SUPPLY IN SEVEN MONTHS ENDING JULY 31 WAS COMPOSED OF 19 PERCENT IMPORTED ELECTRICITY, 39 PERCENT HYDROELECTRIC AND 42 PERCENT THERMAL POWER, FOR JULY ALONE COMPARABLE PERCENTAGES WERE 24, 17, AND 59. DURING SECOND WEEK OF AUGUST, THERMAL POWER PROVIDED 52 PERCENT OF SUPPLY, IMPORTS 42, AND HYDROELECTRIC ONLY 6 PERCENT. LIMITED OFFICIAL USE

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IN NORMAL YEAR, HYDROELECTRIC POWER HAS PROVIDED ABOUT 65 TO 75 PERCENT OF SUPPLY.

5. OFFICIAL OF ELECTRICIDADE DE PORTUGAL (EDP) CONFIRMED THAT NEW INTER-TIE LINE IS SCHEDULED TO ENTER SERVICE SEPTEMBER 2 AND THAT NEW SUPPLY AGREEMENT WITH EDF OF FRANCE (AMOUNT OF SUPPLY NOT AVAILABLE) WILL GO INTO EFFECT THE SAME DATE.

6. MINISTER ROSA NOTED THAT SUPPLY PROBLEM HAD BEEN EXACERBATED BY EXTREME DELAYS IN CONSTRUCTION OF NEW CARREGADO THERMAL PLANT (UP TO NINE MONTHS) AND SETUBAL 500 MW THERMAL PLANT (CURRENTLY SEVENTEEN MONTHS BEHIND SCHEDULE AND EXTENDING). ROSA ATTRIBUTED IT TO LABOR PROBLEMS AS WELL AS DISORGANIZATION AND IRRESPONSIBILITY. AN EDP WORKERS' COMMITTEE RECENTLY LAID PROBLEM TO LOW PRODUCTIVITY, ABSENTEEISM, AND BAD COORDINATION AMONG DOMESTIC MACHINERY SUPPLIERS.

7. COMMENT: GOP NOW APPEARS TO FEEL THAT WORST OF ELECTRICITY SUPPLY PROBLEM IS OVER, BUT IT MAY STILL BE TOO EARLY TO BE OPTIMISTIC. AS ROSA IMPLICITLY RECOGNIZED, BUT PRESS DOWNPLAYED, THERMAL SYSTEM IS VULNERABLE TO BREAKDOWNS, ESPECIALLY AFTER HEAVY USE THIS SUMMER. SYSTEM HAS ALSO BECOME HEAVILY DEPENDENT ON EXTERNAL - AND EXPENSIVE - FUEL AND ELECTRICITY SUPPLIES. THIS WILL EXACERBATE BALANCE OF PAYMENTS DEFICIT.
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